

Issue 33: INSIDER'S EDGE: MAGI—What Can You Deduct?

Happy Friday, Insiders! Medicaid Marge here to bring you the latest edition of the Insider's Edge. While many of you may be adding another helping of stuffing and gravy (my personal favorite!) to your plates next Thursday, today, we'll be talking about what you can take away—from income that is!

Determining MAGI (modified adjusted gross income) using Maryland Health Connection is a two part equation that involves both *income* and *deductions*.



Don't worry, an advanced degree in rocket science isn't necessary!

Last week in *Issue 30: DOs and DON'Ts—MAGI is back!*, we took a quick look at some of the most common types of income that do and don't count for purposes of MAGI. Today, I'll give you a brief overview of some deductions applicants may also need to enter into Maryland Health Connection.

What deductions should an applicant enter?

Applicants can include deductions from the front page an IRS 1040 form, including:

- Alimony paid
- Student loan interest paid
 - Generally, the amount an applicant may deduct is the *lesser* of \$2,500 *or* the amount of interest the applicant actually paid.
- Educator expenses if the applicant is a teacher and pays for supplies out-of-pocket
 - \$250 for a single tax filer
 - \$500 maximum per household if both spouses are educators and file taxes jointly
- Health savings account deduction
 - \$3,300 if a single-person household
 - \$6,550 for family coverage
- Moving expenses if the applicant is moving to live much closer to their job
- Contributions to an individual retirement account if the applicant doesn't have a retirement account through a job
- Tuition costs for school if the applicant pays for the costs out-of-pocket and deducts them on their tax return on line 34

When an applicant provides information on their deductions, they will enter the amount and also how often they pay it, like "monthly" or "yearly."

What deductions should an applicant not enter?

Applicants should NOT include information on things like charitable contributions or home mortgage interest, which can be deducted in a different place on the IRS 1040 form. Applicants also shouldn't enter a cost that they have already considered in their answer to net self-employment or rental income.

Want a little more information on some of the most common deductions?

Check out [IRS Tax Topics - Adjustments to Income](#).



Have a great Thanksgiving holiday next week, Insiders! See you in December!

(I may be off for the holiday next Wednesday through Friday, but my inbox is always open. Send your questions to dhmh.medicaidmarge@maryland.gov.)